Report of Independent Accountants

To the Board of Directors and Shareholders of Apex Silver Mines Limited

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in shareholders' equity and cash flows present fairly, in all material respects, the financial position of Apex Silver Mines Limited and its subsidiaries (a development stage enterprise) at December 31, 2003 and December 31, 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 and, cumulatively, for the period from December 22, 1994 (date of inception) to December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Denver, Colorado
March 8, 2004

Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The following discussion and analysis should be read together with the consolidated financial statements of Apex Silver Mines Limited and the selected financial data and related notes thereto included elsewhere in this report.

Apex Limited is a mining exploration and development company that holds a portfolio of silver exploration and development properties primarily in South America, Mexico, Central America and Central Asia. We currently focus our resources primarily on the development and financing of our San Cristobal Project in Bolivia. At present, none of our properties is in production and, consequently, we have no current operating income or cash flow.

We completed an initial public offering of our Ordinary Shares on December 1, 1997. We completed a subsequent offering of Ordinary Shares and warrants during November 1999. During January and February 2004 we completed additional subsequent offerings totaling 10.4 million Ordinary Shares resulting in gross proceeds of $218.4 million and net proceeds of $208.6 million after commissions and fees. The 2004 offerings were completed at an average offering price of $21.01 per share and substantially completed the sale of securities available under our shelf registrations filed with the Securities and Exchange Commission.

Overview

During the first half of 2003, metals prices and capital market conditions remained at levels that we deemed unattractive for the development of San Cristobal. As a result, we kept exploration and administrative costs at levels below those of the previous two years. Interest income fell from the level earned in 2002, because capital market interest rates fell. Trading income improved, mainly due to the effect of higher metals prices on the small amount of silver and zinc that we had bought.

As metals prices rose late in 2003 and into the early part of 2004, we found the market conditions improving and as a result, were able to successfully complete the above-noted equity offerings in early 2004. During 2004, we anticipate working with our lead arranger for project financing, Barclays Capital, and other financial organizations to advance the financing for San Cristobal. During 2004, we anticipate completing most of the remaining engineering required to develop San Cristobal.

Results of Operations

Interest and Other Income

Our interest and other income for the year ended December 31, 2003 was $0.5 million compared to $0.9 million and $2.2 million for the years ended December 31, 2002 and 2001, respectively. The 2003 decrease in interest and other income compared to 2002 is primarily the result of lower interest rates during 2003. The decrease in interest and other income for 2002 compared to 2001 was due to lower average cash balances and lower interest rates during 2002 as compared to 2001.

Trading Gains and Losses

We recorded a trading gain for the year ended 2003 of approximately $0.7 million compared to trading losses of approximately $0.1 million for 2002 and $1.0 million for 2001. The improvement in 2003 as compared to 2002 is primarily the result of rising silver and zinc prices, and to a lesser extent, rising lead prices during 2003. The improvement in 2002 of a $0.1 million loss as compared to the $1.0 million loss in 2001 is primarily the result of a smaller deterioration in the value of our long position in zinc during 2002. Inception to date, we have recorded a gain of approximately $0.2 million related to the trading program. That amount represents approximately $0.6 million of cash gains partially offset by $0.4 million of unrealized losses at December 31, 2003. Under FAS 133, fair value measurements may vary substantially from period to period based on spot prices, forward prices and quoted option volatilities.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Exploration

Our exploration expenses, including property holding costs and allocated administrative expenses, were $2.7 million for the year ended December 31, 2003, including $0.3 million value of Ordinary Shares issued to consultants, as compared to $3.9 million, including $0.9 million value of Ordinary Shares issued to acquire mineral rights, for the year ended December 31, 2002, and $3.7 million, including $0.9 million value of Ordinary Shares issued to acquire mineral rights for the year ended December 31, 2001. The decreases in our exploration expenses since 2001 were due primarily to the increased emphasis on conserving our cash balances.

Administrative

Our administrative expenses were $4.6 million for the year ended December 31, 2003 compared to $5.5 million and $5.9 million for the years ended December 31, 2002 and 2001, respectively. The decrease in our administrative expenses since 2001 is primarily the result of cost savings associated with the reduction of personnel and office facilities as part of our cash conserving policy. In addition, the 2003, 2002 and 2001 expenses include $1.8 million, $1.9 million and $0.5 million respectively, for the value of stock, options and warrants issued to consultants in lieu of cash.

Income Taxes

Apex Silver Mines Corporation, our U.S. management services company, is subject to U.S. income taxes. Otherwise we pay no income tax in the U.S. since we are incorporated in the Cayman Islands and do not conduct or expect to conduct business in the U.S. that would generate U.S. taxable income. The Cayman Islands currently impose no corporate taxation. We have been granted an exemption until January 16, 2015 from any form of corporate taxation that may subsequently be adopted in the Cayman Islands. Deferred tax assets of approximately $49.9 million at December 31, 2003, resulting from operating loss carry-forwards of our subsidiaries, have been entirely offset by valuation allowances.

Liquidity and Capital Resources

As of December 31, 2003, we had cash and cash equivalents of $40.9 million compared to $44.1 million at December 31, 2002. The decrease in our cash and cash equivalents during 2003 is the result of $3.9 million capitalized to property, plant and equipment related to the development of the San Cristobal Project, $3.2 million used to fund operations, property holding costs and administrative costs, net of interest and other income, partially offset by $3.9 million in proceeds from the exercise of our stock options by certain employees, consultants and a former director.

Pursuant to two universal shelf registration statements filed with the Securities and Exchange Commission, we sold 10.4 million Ordinary Shares during January and February 2004. The sales resulted in gross proceeds of $218.4 million and net proceeds of $208.6 million after commissions and fees. The offerings were completed at a weighted average offering price of $21.01 per share and the offerings substantially complete the sale of the securities available under these registration statements. Proceeds from the offerings will be used to finance a portion of the construction and development of San Cristobal, advance evaluation of exploration properties and for general corporate purposes.

If metals and capital markets remain at levels that will allow us to do so, we intend to substantially complete the financing requirements for our San Cristobal project in the next twelve months. We continue to work with our lead arranger for project financing, Barclays Capital, as well as several multilateral agencies, to develop financing options for San Cristobal as part of a total financing package that may incorporate support from other official agencies as well as debt financing from banks and the use of capital markets. We have spent approximately $33 million on construction costs through December 31, 2003 and have expended approximately $98 million in total project capital on San Cristobal to date. Based on estimated revisions made during 2000 to the September 1999 feasibility study

Management's Discussion and Analysis of Financial Condition and Results of Operations

for the San Cristobal project, which assumes contract mining, we forecast remaining capital costs for construction to total approximately $435 million net of approximately $60 million in expected tax credits, including approximately $25 million which will be recovered against our future Bolivian income taxes after commencement of production. We expect to complete detailed engineering during 2004 and incorporate into our feasibility study any changes deriving from our ultimate infrastructure arrangements, which may result in increases to our forecasted construction capital and working capital requirements. There can be no assurance that metals or capital markets will maintain their recently improved state or that we will be able to obtain the required remaining financing on terms that we find attractive, or at all.

During the next twelve months we expect to spend up to $25 million on infrastructure development, engineering and other costs related to our San Cristobal project. In addition, in order to maintain our current portfolio of mineral properties, we expect to make lease, patent and option payments during the next twelve months of about $1 million. There also is likely to be some discretionary spending on attractive exploration opportunities as they arise. Total administrative expenses are not expected to exceed $8 million during 2004, net of interest and other income. We plan to fund our project and operating expenditures for the next twelve months from our existing cash balances.

Off Balance Sheet Arrangements

We have no off balance sheet arrangements.

Table of Contractual Obligations

The following table summarizes our contractual obligations at December 31, 2003:

Contractual Obligations	Total	Less Than 1 Year	2-3 Years	4-5 Years	Thereafter
	(thousands)				
Debt	$690	$ 91	$599	$ —	$ —
Capital Leases	—	—	—	—	—
Operating Leases	607	211	396	—	—
Purchase Obligations	—	—	—	—	—
Other GAAP Liabilities	—	—	—	—	—

From time to time we enter into lease option agreements related to exploration properties that are of interest to us. These agreements normally contain escalating lease payments required to maintain our exploration rights to the property. Such agreements are not included in the above table because exploration success is historically low and the agreements can be terminated by us at any time.

Environmental Compliance

Our current and future exploration and development activities, as well as our future mining and processing operations, are subject to various federal, state and local laws and regulations in the countries in which we conduct our activities. These laws and regulations govern the protection of the environment, prospecting, development, production, taxes, labor standards, occupational health, mine safety, toxic substances and other matters. We expect to be able to comply with those laws and does not believe that compliance will have a material adverse effect on our competitive position. We intend to obtain all licenses and permits required by all applicable regulatory agencies in connection with our mining operations and exploration activities. We intend to maintain standards of environmental compliance consistent with best contemporary industry practice.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Critical Accounting Policies

The selection and application of accounting policies is an important process that has developed as our business activities have evolved and as the accounting rules have changed. Accounting rules generally do not involve a selection among alternatives, but involve an implementation and interpretation of existing rules, and the use of judgment, to the specific set of circumstances existing in our business. We comply with all applicable rules on or before their adoption, and we believe the proper implementation and consistent application of the accounting rules is critical. Our critical accounting policies are discussed below. You should also read Note 2 of the accompanying Notes to the Consolidated Financial Statements included in this report.

Our financial condition and results of operations as reflected in our financial statements are affected by estimates that we, or experts that we have retained, have made as to our proven and probable reserves. Reserve estimates involve subjective judgment and are based on numerous assumptions that may later prove to be inaccurate. These estimates include engineering evaluations of assay values derived from samplings of drill holes and other openings. Additionally, changes in the market prices of metals may render certain reserves containing relatively lower grades of mineralization uneconomic to mine. Further, availability of permits, changes in operating and capital costs, and other factors could materially and adversely affect ore reserves. Our current proven and probable reserve estimates at San Cristobal, total approximately 211 million tonnes of ore grading 65.81 grams per tonne of silver, 1.63% zinc and 0.61% lead. These reserves contain approximately 446 million ounces of silver, 7.6 billion pounds of zinc and 2.8 billion pounds of lead. The reserves are based on $4.62 per ounce silver, $0.38 per pound zinc and $0.22 per pound lead. These prices represent the three year average prices for each of the metals as per guidelines established by the Securities and Exchange Commission.

To complete the project financing on San Cristobal, we may be required to hedge a portion of our planned production. In addition, when San Cristobal enters production, we may sell forward a portion of our production and use price-hedging techniques to mitigate some of the risks associated with fluctuating metals prices. We currently engage in limited metals trading activities utilizing puts and calls and other market instruments in anticipation of potential lender requirements for the San Cristobal project financing. We measure the fair value of open positions at each reporting period and record the difference in the carrying value to current earnings, in accordance with Statement of Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("FAS 133"). Under FAS 133, fair value measurements may vary substantially from period to period based on spot prices, forward prices and quoted option volatilities.

Consolidated Balance Sheets

(Expressed in United States dollars)

December 31,	2003	2002
Assets		
Current assets		
Cash and cash equivalents	$ 40,898,745	$ 44,145,593
Accrued interest receivable	27,739	136,489
Prepaid expenses and other assets	2,167,002	534,235
Current assets	43,093,486	44,816,317
Property, plant, and equipment (net)	97,979,316	93,781,351
Value added tax recoverable (net)	5,238,648	5,205,157
Other	199,542	251,959
Total assets	$146,510,992	$144,054,784

	2003	2002
Liabilities and Shareholders' Equity		
Current liabilities		
Accrued salaries, wages and benefits	$ 37,480	$ 31,668
Accounts payable	1,797,368	1,438,425
Current portion of notes payable	90,500	84,000
Current liabilities	1,925,348	1,554,093
Notes payable	599,458	769,958
Commitments and contingencies (Note 11)	—	—
Total liabilities	2,524,806	2,324,051
Shareholders' equity		
Ordinary Shares, $.01 par value, 75,000,000 shares authorized; 36,874,640 and 36,268,317 shares issued and outstanding, respectively	368,746	362,683
Contributed surplus	222,430,086	214,136,784
Accumulated deficit	(78,812,646)	(72,768,734)
Total shareholders' equity	143,986,186	141,730,733
Total liabilities and shareholders' equity	$146,510,992	$144,054,784

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Operations

(Expressed in United States dollars)

	Years ended December 31,			For the period December 22, 1994 (inception) through December 31,
	2003	2002	2001	2003
Income and expenses				
Interest and other income	$ 549,624	$ 869,512	$ 2,157,442	$ 14,269,527
Trading gains (losses)	728,465	(71,213)	(971,669)	216,331
Exploration	(2,733,113)	(3,851,529)	(3,727,237)	(62,890,117)
Administrative	(4,553,047)	(5,533,450)	(5,915,444)	(33,836,098)
Amortization and depreciation	(35,841)	(67,409)	(126,661)	(1,131,175)
Loss before minority interest	(6,043,912)	(8,654,089)	(8,583,569)	(83,371,532)
Minority interest in loss of consolidated subsidiary	—	—	—	4,558,886
Net loss for the period	$ (6,043,912)	(8,654,089)	$ (8,583,569)	$(78,812,646)
Net loss per Ordinary Share—basic and diluted[1]	$ (0.17)	$ (0.24)	$ (0.25)	$ (2.84)
Weighted average Ordinary Shares outstanding	36,576,367	35,677,844	34,634,026	27,794,516

[1]Potential dilutive Ordinary Shares were antidilutive for all periods presented.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in United States dollars)

	Shares Outstanding	Amount	Contributed Surplus	Accumulated Deficit and Comprehensive Deficit	Total Shareholders' Equity
Issuance of shares upon incorporation, December 22, 1994 ($0.85 per share)	8,822,546	$ 88,225	$ 5,571,398	$ —	$ 5,659,623
Net loss	—	—	—	(213,165)	(213,165)
Balance, December 31, 1994	8,822,546	88,225	5,571,398	(213,165)	5,446,458
Net loss and comprehensive loss	—	—	—	(1,861,185)	(1,861,185)
Balance, December 31, 1995	8,822,546	88,225	5,571,398	(2,074,350)	3,585,273
Issuance of shares in private placement ($8.00 per share)	4,256,700	42,567	32,406,783	—	32,449,350
Net loss and comprehensive loss	—	—	—	(11,723,313)	(11,723,313)
Balance, December 31, 1996	13,079,246	130,792	37,978,181	(13,797,663)	24,311,310
Purchase of minority interest in ASC Bolivia ($11.00 per share)	268,496	2,685	2,950,771	—	2,953,456
Issuance of shares to associates ($11.00 per share)	138,595	1,386	1,523,159	—	1,524,545
Issuance of shares for services ($1.49 per share)	115,207	1,152	231,566	—	232,718
Stock option compensation expense	—	—	416,562	—	416,562
Issuance of shares upon Initial Public Offering ($11.00 per share)	5,523,372	55,234	54,719,730	—	54,774,964
Net loss and comprehensive loss	—	—	—	(14,984,958)	(14,984,958)
Balance, December 31, 1997	19,124,916	191,249	97,819,969	(28,782,621)	69,228,597
Exchange of Apex LDC shares	7,079,006	70,790	(70,790)	—	—
Stock options exercised ($7.91 per share)	25,001	250	197,473	—	197,723
Stock awards ($8.50 per share)	21,838	218	185,407	—	185,625
Unearned compensation	—	—	(185,625)	—	(185,625)
Net loss and comprehensive loss	—	—	—	(11,029,570)	(11,029,570)
Balance, December 31, 1998	26,250,761	262,507	97,946,434	(39,812,191)	58,396,750

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in United States dollars)

	Shares Outstanding	Amount	Contributed Surplus	Accumulated Deficit and Comprehensive Deficit	Total Shareholders' Equity
Balance, December 31, 1998	26,250,761	$262,507	$ 97,946,434	$(39,812,191)	$ 58,396,750
Stock options exercised ($8.77 per share)	25,549	256	223,900	—	224,156
Sale of Ordinary Share units ($12.00 per unit)	8,090,132	80,901	94,004,628	—	94,085,529
Commissions paid in stock ($12.00 per share)	84,184	842	(842)	—	—
Stock awards ($12.06 per share)	15,542	156	187,475	—	187,631
Unearned compensation (net)	—	—	(87,042)	—	(87,042)
Net loss and comprehensive loss	—	—	—	(7,979,032)	(7,979,032)
Balance, December 31, 1999	34,466,168	344,662	192,274,553	(47,791,223)	144,827,992
Stock compensation ($10.88 per share)	5,100	51	55,412	—	55,463
Stock awards ($9.13 per share)	15,361	153	140,168	—	140,321
Unearned compensation	—	—	272,667	—	272,667
Net loss and comprehensive loss	—	—	—	(7,739,853)	(7,739,853)
Balance, December 31, 2000	34,486,629	344,866	192,742,800	(55,531,076)	137,556,590
Stock to acquire mineral rights ($9.43 per share)	96,136	961	905,790	—	906,751
Stock options exercised ($10.36 per share)	39,119	391	404,939	—	405,330
Stock issued as note payment ($10.95 per share)	70,875	709	775,373	—	776,082
Stock ($11.04 per share) and options to consultants	36,000	360	525,080	—	525,440
Stock awards (net) ($9.27 per share)	73,638	737	678,454	—	679,191
Net loss and comprehensive loss *(Restated)*	—	—	—	(8,583,569)	(8,583,569)
Balance, December 31, 2001	34,802,397	348,024	196,032,436	(64,114,645)	132,265,815

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in United States dollars)

	Shares Outstanding	Amount	Contributed Surplus	Accumulated Deficit and Comprehensive Deficit	Total Shareholders' Equity
Balance, December 31, 2001	34,802,397	$348,024	$196,032,436	$(64,114,645)	$132,265,815
Sale of Ordinary Shares ($13.10 per unit)	500,000	5,000	6,545,000	—	6,550,000
Stock to acquire mineral rights ($15.37 per share)	58,307	583	891,576	—	892,159
Stock options exercised ($9.12 per share)	555,244	5,552	5,057,400	—	5,062,953
Stock issued as note payment ($16.19 per share)	58,895	589	952,911	—	953,500
Stock ($13.34 per share) and options to consultants	204,655	2,047	3,560,998	—	3,563,045
Stock awards (net) ($12.95 per share)	88,819	888	1,149,263	—	1,150,151
Offering costs	—	—	(52,800)	—	(52,800)
Net loss and comprehensive loss	—	—	—	(8,654,089)	(8,654,089)
Balance, December 31, 2002	36,268,317	362,683	214,136,784	(72,768,734)	141,730,733
Stock options exercised ($9.77 per share)	317,220	3,172	3,096,210	—	3,099,382
Stock Warrants exercised ($12.92 per share)	60,000	600	774,600	—	775,200
Stock ($15.13 per share) and warrants to consultants	137,987	1,380	2,910,562	—	2,911,942
Stock awards (net) ($16.90 per share)	79,829	798	1,348,043	—	1,348,841
Stock issued as note payment ($14.53 per share)	11,287	113	163,887	—	164,000
Net loss and comprehensive loss	—	—	—	(6,043,912)	(6,043,912)
Balance, December 31, 2003	36,874,640	$368,746	$222,430,086	$(78,812,646)	$143,986,186

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

(Expressed in United States dollars)

	Years ended December 31,			For the period December 22, 1994 (inception) through December 31,
	2003	2002	2001	2003
Cash flows from operating activities:				
Net cash used in operating activities (Note 9)	$ (3,198,699)	$ (3,692,392)	$ (7,174,665)	$(75,301,567)
Cash flows from investing activities:				
Additions to property, plant and equipment	(3,922,731)	(4,975,491)	(12,244,412)	(89,563,661)
Net cash used in investing activities	(3,922,731)	(4,975,491)	(12,244,412)	(89,563,661)
Cash flows from financing activities:				
Net proceeds from issuance of Ordinary Shares	—	6,550,000	—	198,311,070
Payment of notes	—	(335,657)	(474,001)	(1,949,550)
Proceeds from exercise of stock options and warrants	3,874,582	5,062,952	325,996	9,685,409
Deferred organizational and financing costs	—	—	—	(282,956)
Net cash provided by (used in) financing activities	3,874,582	11,277,295	(148,005)	205,763,973
Net increase (decrease) in cash and cash equivalents	(3,246,848)	2,609,412	(19,567,082)	40,898,745
Cash and cash equivalents beginning of period	44,145,593	41,536,181	61,103,263	—
Cash and cash equivalents end of period	$ 40,898,745	$ 44,145,593	$ 41,536,181	$ 40,898,745

	2003	2002	2001
Supplemental non-cash transactions:			
Shares issued as compensation (expensed) at an average price of $18.57, $12.95 and $9.27 per share respectively	$ 1,037,755	$ 954,647	$ 758,524
Shares issued as compensation (capitalized) at an average price of $12.97 and $12.95 per share respectively	$ 311,075	$ 195,504	$ —
Acquisition of mineral rights for Ordinary Shares at an average of $15.37 and $9.43 per share respectively	$ —	$ 892,159	$ 906,751
Payment of debt with Ordinary Shares at an average of $14.53, $16.19 and $10.95 per share respectively	$ 164,000	$ 953,500	$ 776,082
Payment of consulting services with Ordinary Shares, options and warrants at an average of $15.13, $13.34 and $11.04 per share respectively	$ 2,911,942	$ 3,563,045	$ 525,440
Assets transferred as partial payment of debt	$ —	$ —	$ 206,911

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

1. Incorporation, Recapitalization, Initial Public Offering, Subsequent Offerings, Ownership and Operations

a. Apex Silver Mines Limited ("Apex Limited" or the "Company") was formed under the laws of the Cayman Islands in March 1996 for the sole purpose of serving as a holding company for certain ownership interests in Apex Silver Mines LDC ("Apex LDC"). On April 15, 1996, holders of approximately 55% of the then-outstanding shares of Apex LDC elected to participate, effective as of the completion of a proposed private placement of shares of Apex Limited which was completed as of August 6, 1996, in a recapitalization effected by an exchange, on a one-for-one basis, of their shares in Apex LDC for identical equity instruments of Apex Limited (the "Recapitalization"). The balance of shareholders retained a direct ownership interest in Apex LDC. As a result of this recapitalization, Apex LDC became a majority-owned subsidiary of Apex Limited. The accompanying financial statements reflect the historical accounts of the Company's predecessor, Apex LDC. For purposes of the accompanying consolidated financial statements of Apex Limited, the recapitalization has been given retroactive effect to the date of incorporation of Apex LDC, with the results of operations and equity attributable to the other ownership interests in Apex LDC being reflected in "minority interest in consolidated subsidiary." Consequently, for purposes of these financial statements, Apex Limited is considered the successor to Apex LDC.

b. In August 1996, Apex Limited issued 4,256,700 Ordinary Shares at $8 per share in a private placement transaction (the "Private Placement") for net proceeds of approximately $32.4 million. These proceeds were contributed to Apex LDC in exchange for the issuance by Apex LDC of 4,256,700 shares of its share capital. As a result of this private placement, the Company's ownership interest in Apex LDC was increased from approximately 55% to 65%.

c. On December 1, 1997, the Company closed its initial public offering (the "Offering") of Ordinary Shares. The Company sold 5,000,000 Ordinary Shares at a price of $11 per share on the American Stock Exchange under the symbol "SIL." In addition, on December 23, 1997, the underwriters exercised an option to purchase an additional 523,372 Ordinary Shares at the initial price of $11 per share. Net proceeds raised in the Offering were approximately $54.8 million. These proceeds were contributed to Apex LDC in exchange for the issuance by Apex LDC of 5,523,372 shares of its capital.

d. In conjunction with the Recapitalization and the Private Placement, Apex Limited and the shareholders of Apex LDC entered into a Buy-Sell Agreement which was intended to maintain the same beneficial interest in Apex LDC attributable to all shareholders of Apex LDC prior to the Recapitalization and Private Placement. During 1998, pursuant to the terms of the Buy-Sell Agreement, Apex Limited exchanged 7,079,006 of its Ordinary Shares for an equal number of Apex LDC shares. Such shares are included in the 36,874,640 Ordinary Shares outstanding at December 31, 2003. At December 31, 2003 Apex Limited owned 100 percent of Apex LDC. Per the provisions of the Buy-Sell Agreement, all of the outstanding shares of Apex LDC are considered Ordinary Shares outstanding for the purposes of computing net loss per Ordinary Share for the periods presented.

e. In November 1999, pursuant to a shelf registration statement filed with the Securities and Exchange Commission, the Company sold 8,090,132 Ordinary Share units, resulting in proceeds before commissions and fees of approximately $97.1 million and net proceeds of approximately $94.1 million. The Ordinary Share units, priced at $12.00 per unit, were

comprised of one Ordinary Share and a warrant which was exercisable for one-half of an Ordinary Share at a price of $18.00 per ordinary share. All of the warrants expired on November 4, 2002 and none of the warrants was exercised.

f. During April 2002, the Company sold 500,000 of its Ordinary Shares, pursuant to a universal shelf registration statement. The sale resulted in gross proceeds of approximately $6.6 million and expenses of approximately $0.1 million, which were paid in the form of a stock grant.

g. The Company's principal activities are the exploration and development of mineral properties. The Company participates in the acquisition and exploration of mineral properties for possible future development directly and indirectly through its subsidiaries.

h. The Company, through indirect subsidiaries, conducts exploration activities in Mexico, Central America and South America and currently holds interests in non-producing silver resource properties in Bolivia, Mexico and Peru. The Company is in the process of developing its San Cristobal property and evaluating certain of its other properties to determine the economic feasibility of bringing one or more of the properties into production.

2. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The policies adopted, considered by management to be significant, are summarized as follows:

a. *Basis of consolidation*
These consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries.

b. *Translation of foreign currencies*
Substantially all expenditures are made in United States dollars. Accordingly, the Company uses the United States dollar as its functional currency.

c. *Cash, cash equivalents and short-term investments*
The Company considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents. Short-term investments include certificates of deposit with maturities greater than three months, but not exceeding twelve months. Short-term investments are recorded at cost which approximates fair value.

d. *Mining properties, exploration and development costs*
The Company expenses general prospecting costs and the costs of acquiring and exploring unevaluated mining properties. When a mineral property is determined to have proven and probable reserves, development costs are capitalized to mineral properties. When proven and probable ore reserves are developed and operations commence, capitalized costs will be amortized using the units-of-production method over proven and probable reserves. Upon abandonment or sale of projects, all capital costs relating to the specific project are written off in the period abandoned or sold and a gain or loss is recognized. Beginning September 1, 1997, all costs associated with the Company's San Cristobal Project have been capitalized. As of December 31, 2003, capitalized property and development costs related to the San Cristobal Project amounted to $95,041,161. No other amounts related to mineral properties have been capitalized.

e. Property, plant and equipment

Mineral properties include costs to acquire development properties and property development costs. Mineral properties brought into production will be charged to operations using the units-of-production method based on estimated recoverable proven and probable reserves. Buildings are stated at cost and are depreciated using the straight-line method, over useful lives of thirty to forty years. Mining equipment and machinery are stated at cost and are depreciated using the straight-line method over useful lives of three to eight years. Other furniture and equipment are stated at cost and are depreciated using the straight-line method over estimated useful lives of three to five years.

f. Asset impairment

The Company evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable. If the sum of estimated future net cash flows on an undiscounted basis is less than the carrying amount of the related asset grouping, an asset impairment is considered to exist. The related impairment loss is measured by comparing estimated future net cash flows on a discounted basis to the carrying amount of the asset. Changes in significant assumptions underlying future cash flow estimates may have a material effect on the Company's financial position and results of operations. To date no such impairments have been identified.

g. Stock compensation

At December 31, 2003, the Company has a stock-based employee compensation plan, which is described more fully in Note 8. The Company accounts for this plan under the recognition and measurement principles of APB Opinion No. 25, "*Accounting for Stock Issued to Employees*," and related interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* ("FAS 123"), to stock-based employee compensation:

Years ended December 31,	2003	2002	2001
Net loss, as reported	$ (6,043,912)	$ (8,654,089)	$ (8,583,569)
Less: Total stock based compensation expense determined under fair value based method for all awards, net of tax effect	(2,828,410)	(2,614,014)	(888,481)
Pro forma net loss	$ (8,872,322)	$ (11,268,103)	$ (9,472,050)
Net loss per Ordinary Share:			
Basic and diluted—as reported	$ (0.17)	$ (.24)	$ (.25)
Basic and diluted—pro forma	$ (0.24)	$ (.32)	$ (.27)

For purposes of calculating the fair value of options, volatility for the three years presented is based on the historical volatility of the Company's stock over its public trading life. The Company currently does not foresee the payment of dividends in the near term. The fair value for these options was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Years ended December 31,	2003	2002	2001
Weighted average risk-free interest rate	2.50%	3.10%	4.08%
Volatility	42.80%	42.50%	40.60%
Expected dividend yield	—	—	—
Weighted average expected life (in years)	2.93	2.91	2.88

h. Net loss per Ordinary Share

Basic earnings per share excludes dilution and is computed by dividing net earnings available to ordinary shareholders by the weighted average number of shares outstanding for the period. Diluted earnings per share reflect the potential dilution that would occur if securities or other contracts to issue Ordinary Shares were exercised or converted into Ordinary Shares.

Outstanding options to purchase 2,119,425, 1,963,891and 1,895,150 Ordinary Shares were not included in the computation of diluted earnings per share at December 31, 2003, 2002, and 2001 respectively, because to do so would have been antidilutive. Also, warrants to purchase 100,000 Ordinary Shares were not included in the computation of diluted earnings per share at December 31, 2003, because to do so would have been antidilutive.

i. Derivative financial instruments

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("FAS 133"). FAS 133, as amended by Statement of Accounting Standards No. 137, *Deferral of the Effective Date of FAS Statement No. 133*, became effective for the Company January 1, 2001. FAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. For fair-value hedge transactions in which the Company is hedging changes in the fair value of an asset, liability, or firm commitment, changes in the fair value of the derivative instrument will generally be offset by changes in the hedged item's fair value. For cash flow hedge transactions, in which the Company is hedging the variability of cash flows related to a variable-rate asset, liability or forecasted transaction, changes in the fair value of the derivative instrument will be reported in other comprehensive income. The gains and losses on the derivative instrument that are reported in other comprehensive income will be reclassified as earnings in the periods in which earnings are impacted by the variability of cash flows of the hedged item. The ineffective portion of all hedges will be recognized in current-period earnings.

To complete the project financing on San Cristobal, the Company may be required to hedge a portion of its planned production. In addition, when San Cristobal enters production, the Company may sell forward a portion of its production and use price-hedging techniques to mitigate some of the risks associated with fluctuating metals prices. The Company currently engages in limited metals trading activities utilizing puts and calls and other market instruments in anticipation of potential lender requirements for the San Cristobal project financing. The Company measures the fair value of open positions at each reporting period during 2003, and records the difference in the carrying value to current earnings, in accordance with FAS 133. Adoption of FAS 133 had no effect on the Company's results of operations or financial position as previously the Company had marked its open positions to market and included gains or losses in earnings. During 2003, 2002 and 2001 the Company recorded mark to market gains (losses) of approximately $728,000, ($71,000) and ($972,000) respectively. Inception to date the Company has recorded a gain of approximately $216,000 related to the trading program. Of that amount, approximately $560,000 represents a cash gain partially offset by $344,000 of unrealized losses in value at December 31, 2003. Under FAS 133, fair value measurements may vary substantially from period to period based on spot prices, forward prices and quoted option volatilities.

j. New Accounting Standards

Effective January 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* ("FAS 143") which established a uniform methodology for accounting for estimated reclamation and abandonment costs. Adoption of the standard had no current impact on the Company's earnings or financial position. See Note 10.

In April 2002, the FASB issued Statement of Financial Accounting Standards No. 145, *Rescission of FAS Statements No. 4, 44 and 64, Amendment of FAS Statement No. 13, and Technical Corrections* ("FAS 145"), which is generally effective for transactions occurring after May 15, 2002. Through the rescission of FAS Statements 4 and 64, FAS 145 eliminates the requirement that gains and losses from extinguishment of debt be aggregated and, if material, be classified as an extraordinary item net of any income tax effect. FAS 145 made several other technical corrections to existing pronouncements that may change accounting practice. The Company has adopted FAS 145 which did not have an impact on its results of operations or financial position at the time of adoption and is not expected to have a material impact in the future.

In June 2002, the FASB issued Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* ("FAS 146"). FAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002. This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, *"Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)."* The Company has adopted FAS 146 which did not have an impact on its results of operations or financial position at the time of adoption and is not expected to have a material impact in the future.

In December 2002, the Financial Accounting Standards Board issued Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation —Transition and Disclosure* ("SFAS No. 148"). SFAS No. 148, amends SFAS No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. As the Company accounts for stock-based employee compensation using the intrinsic value method in accordance with APB No. 25, *Accounting for Stock Issued to Employees*, the Company has adopted the disclosure requirements of SFAS No. 148, effective December 31, 2002.

In April 2003, the FASB issued SFAS No. 149 *"Amendment of Statement 133 on Derivative Instruments and Hedging Activities"* ("SFAS 149") to amend and clarify financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. The changes in this statement improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly to achieve more consistent reporting of contracts as either derivative or hybrid instruments. SFAS 149 is effective for contracts entered into or modified after June 30, 2003. SFAS 149 did not have any impact on the Company's financial position or results of operations at December 31, 2003, or for the year then ended. SFAS 149 is not expected to have any impact on the Company's financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150 *"Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity"* ("SFAS 150") providing guidance regarding classification of freestanding financial instruments as liabilities (or assets in some circumstances). This SFAS was originally effective for financial instruments entered into or modified after May 31, 2003, otherwise at the beginning of the first interim period beginning after June 15, 2003 and was to be applied prospectively. However, on October 29, 2003, the FASB decided to defer the provisions of paragraphs 9 and 10 of SFAS 150 as they apply to mandatorily redeemable non-controlling interests. These provisions require that mandatorily redeemable minority interests within the scope of SFAS 150 be classified as a liability on the parent company's financial statements in certain situations, including when a finite-lived entity is consolidated. The deferral of those provisions is expected to remain in effect while these interests are addressed in either Phase II of the FASB's Liabilities

and Equity Project or Phase II of the FASB's Business Combinations Project. The Board also decided to (i) preclude any "early" adoption of the provisions of paragraph 9 and 10 for these non-controlling interests during the deferral period, and (ii) require the restatement of any financial statements that have been issued where these provisions were applied to mandatorily redeemable non-controlling interests. SFAS 150 is not expected to have any impact on the Company's financial position or results of operations.

In November 2002, the Financial Accounting Standards Board issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN No. 45"). FIN No. 45 broadens the disclosures to be made by the guarantor about its obligations under certain guarantees. FIN No. 45 also requires a guarantor to recognize a liability for the fair value of the obligation undertaken in issuing the guarantee at the inception of a guarantee. The recognition provision of FIN No. 45 is applicable on a prospective basis for guarantees that are issued or modified after December 31, 2002. As required by FIN No. 45, the Company has adopted the disclosure requirements effective December 31, 2002. The Company has adopted FIN No. 45 which did not have an impact on its results of operations or financial position at the time of adoption and is not expected to have a material impact in the future.

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51* ("FIN No. 46"), which provides guidance on the identification and reporting for entities over which control is achieved through means other than voting rights. FIN 46 defines such entities as variable interest entities (VIEs). A FASB Staff Position issued in October 2003 deferred the effective date of FIN 46 to the first interim or annual period ending after December 15, 2003 for entities created before February 1, 2003 if certain criteria are met. Subsequently, during December 2003, the FASB issued a revised Fin 46 (FIN 46R) which replaces the original interpretation. Application of this revised interpretation is required in financial statements for companies that have interests in VIEs or potential VIEs commonly referred to as special-purpose entities for periods ending after December 15, 2003. Application for all other types of entities is required in financial statements for periods ending after March 15, 2004. The Company is currently evaluating the impact FIN 46R will have on its financial statements. Based on current assessments the Company does not believe that FIN 46 will have impact on results of operations, financial position or cash flow.

3. Income Taxes

The provision for income taxes includes United States federal, state and foreign income taxes currently payable and deferred based on currently enacted tax laws. Deferred income taxes are provided for the tax consequences of differences between the financial statement and tax bases of assets and liabilities. A valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset may not be realized.

There is currently no taxation imposed by the Cayman Islands. If any form of taxation were to be enacted, the Company has been granted exemption therefrom to January 16, 2015. The Company's subsidiaries which do business in other countries have not generated income and therefore are not liable for local income taxes.

As of December 31, 2003 and 2002, operating loss carryforwards generated by our activities in Bolivia amounted to approximately $20.0 and $18.6 million, respectively. Operating losses (as adjusted for inflation) may be carried forward and deducted from taxable income indefinitely. The deferred tax asset resulting from the operating loss carryforwards has been entirely offset by a valuation allowance.

As of December 31, 2003 and 2002, operating loss carryforwards generated by the Company's subsidiaries other than Bolivia amounted to approximately $29.9 and $28.3 million, respectively. The deferred tax assets resulting from these operating loss carryforwards have been entirely offset by valuation allowances.

4. Prepaid Expenses and Other Assets

Prepaid expense and other assets consist of the following:

December 31,	2003	2002
Prepaid insurance	$ 487,677	$ 505,861
Prepaid consulting and contractor fees	1,317,442	—
Trade receivables, travel advances and other	361,883	28,374
	$ 2,167,002	$ 534,235

The prepaid consulting and contractor fees at December 31, 2003, consist primarily of the value of stock issued to two contractors to provide exploration services related to certain of the Company's properties in Bolivia, Peru and Uzbekistan, which will be completed in 2004. Included in trade receivables, travel advances and other at December 31, 2003, is the $225,641 value of stock options exercised in late December 2003, for which the cash had not been received.

5. Value Added Tax Recoverable

The Company has recorded value added tax ("VAT") paid in Bolivia and Mexico as recoverable assets. Bolivian law states that VAT paid prior to production is recoverable as a credit against Bolivian taxes arising from production, including income tax. The VAT paid in Bolivia is expected to be recovered through production from the proven and probable reserves at the San Cristobal Project that the Company intends to develop. The VAT paid in Mexico is related to exploration activities and according to Mexican law is recoverable upon application to the tax authorities. Although the Company has filed applications to recover all VAT paid through the third quarter of 2002, the Mexican tax authorities have not refunded any VAT to the Company since early 2000. The Company has been informed that the Mexican tax authorities, for their own fiscal reasons, have made no VAT refunds to any companies since early 2000. Based on these circumstances, the Company recorded a 50% impairment of the recoverable VAT in Mexico, although it remains the Company's intent to recover the full amount. At December 31, 2003, the recoverable VAT recorded for Bolivia and Mexico is $5,056,095 and $182,553 respectively after the impairment.

Because of the uncertainty of the recoverability of VAT paid in Peru, VAT costs incurred in Peru are charged to expense as incurred.

6. Property, Plant and Equipment

The components of property, plant, and equipment were as follows:

December 31,	2003	2002
Mineral properties (San Cristobal)	$95,041,160	$90,322,022
Buildings	1,408,242	1,408,242
Mining equipment and machinery	2,971,288	3,039,941
Other furniture and equipment	845,252	845,252
	100,265,942	95,615,457
Less: Accumulated depreciation	(2,286,626)	(1,834,106)
	$97,979,316	$93,781,351

Depreciation expense for the periods ended December 31, 2003, 2002 and 2001 totaled $35,841, $67,409 and $126,661, respectively. For the periods ended December 31, 2003, 2002 and 2001, depreciation associated with the San Cristobal Project was capitalized in the amounts of $469,195, $507,874 and $384,852 respectively.

7. Notes Payable

The Company's notes payable consists of the following:

December 31,	2003	2002
San Cristobal area properties	$ —	$ 164,000
San Cristobal Foundation	689,958	689,958
Sub-total	689,958	853,958
Less: Current portion	(90,500)	(84,000)
Total	$ 599,458	$ 769,958

In 1998 and prior the Company exercised options to purchase certain properties in the San Cristobal area and recorded notes payable on the Company's books related to those purchases. During 2003 the Company issued 11,287 of its Ordinary Shares valued at $164,000 to Monica de Prudencio as payment in full for the last of those notes.

In 1999 the Company executed a non-interest bearing note agreement with the San Cristobal Foundation for $2 million payable by the end of 2005. During 2002 the Company issued 50,000 of its Ordinary Shares valued at $809,500 to the San Cristobal Foundation as partial payment on the note. Prior to 2002 the Company had made payments on the note totaling $500,542. The note was being carried on the Company's books for $689,958 at December 31, 2003.

8. Stock Option Plans

The Company has established a plan to issue share options and other awards to be valued by reference to the Company's shares for officers, employees, consultants and agents of the Company and its subsidiaries (the "Plan"). Under the Plan, the total number of options and other awards granted cannot exceed ten percent of the Company's outstanding shares. Options granted and other awards under the Plan are non-assignable. Options exist for a term, not to exceed ten years, as fixed by the Compensation Committee of the Board of Directors of the Company. Options vest ratably over periods of up to four years with the first tranche vesting on the date of grant or the anniversary of the date of grant. Unexercised options expire ten years after the date of grant.

The Company has established a share option plan for its non-employee directors (the "Director Plan"). Under the Director Plan, the total number of options granted cannot exceed five percent of the Company's outstanding shares. Pursuant to the Director Plan, non-employee directors receive (i) at the effective date of their initial election to the Company's board of directors, an option to purchase the number of Ordinary Shares equal to $50,000 divided by the closing price of the Ordinary Shares on the American Stock Exchange (the "AMEX") on such date, (ii) at the close of business of each annual meeting of the Company's shareholders, an option to purchase the number of Ordinary Shares equal to $50,000 divided by the closing price of the Ordinary Shares on the AMEX on such date, and (iii) at the close of business of each meeting of the Company's Board of Directors, an option valued at $3,000 calculated using the Black-Scholes option-pricing model to purchase Ordinary Shares with an exercise price equal to the closing price of the Ordinary Shares on the AMEX on such date. Options granted to a non-employee director vest on the date of the grant and expire ten years after the date of the grant or one year after the date that such non-employee director ceases to be a director of the Company. Options granted under the Director Plan are transferable only in limited circumstances.

A summary of the Company's stock options at December 31, 2003, 2002 and 2001 and changes during those years is presented in the following table:

	2003		2002		2001	
Options	Number of Shares	Average Price Per Share	Number of Shares	Average Price Per Share	Number of Shares	Average Price Per Share
Outstanding at beginning of period	1,963,891	$11.01	1,895,150	$ 9.69	1,498,128	$ 9.91
Granted during period	592,005	$16.69	635,235	$13.11	571,548	$ 9.24
Forfeited or expired during period	(86,750)	$11.08	(11,250)	$ 9.03	(135,407)	$10.53
Exercised during period	(349,720)	$ 9.84	(555,244)	$ 9.12	(39,119)	$ 8.33
Outstanding at end of period	2,119,426	$12.75	1,963,891	$11.01	1,895,150	$ 9.69
Exercisable at end of period	1,097,081		971,116		922,720	
Weighted average of fair value of options outstanding		$ 3.37		$ 3.02		$ 2.27
Weighted average remaining contractual life	7.8 years		7.9 years		7.9 years	

Options granted during 2003, 2002 and 2001 ranged in exercise price from $13.83 to $16.95, $7.00 to $15.76 and $7.44 to $10.32 respectively.

In addition, on December 4, 2003, December 13, 2002 and December 13, 2001, the Company issued 48,142, 61,396, and 73,638 respectively of its Ordinary Shares to employees as performance bonuses. One hundred percent of the bonus was paid in shares for all three years. These shares vest two years after the grant date.

9. Cash Flow Information

The following is a reconciliation of net earnings to cash from operations:

	Years ended December 31,			For the period December 22, 1994 (inception) through December 31,
	2003	2002	2001	2003
Cash flows from operating activities:				
Net loss	$(6,043,912)	$(8,654,089)	$(8,583,569)	$(78,812,646)
Adjustments to reconcile net loss to net cash used in operating activities:				
Amortization and depreciation	35,841	67,409	126,661	1,131,175
Minority interest in loss of consolidated subsidiary	—	—	—	(4,558,886)
Stock compensation expense	1,037,755	954,647	758,524	3,736,578
Shares issued in consideration for services	2,911,942	3,563,045	525,440	8,524,972
Shares issued to purchase mineral rights	—	892,159	906,754	1,798,913
Changes in operating assets and liabilities:				
(Increase) decrease in accrued interest receivable	108,750	(57,444)	135,214	(27,739)
(Increase) decrease in prepaid expenses and other assets	(1,632,767)	(366,772)	60,301	(2,253,744)
Increase in value added tax recoverable	(33,491)	(134,020)	(47,116)	(5,238,648)
Increase (decrease) in accrued salaries, wages and benefits	5,812	7,700	(135,497)	37,480
Increase (decrease) in accounts payable	358,943	146,868	(933,158)	(97,272)
Other increase (decrease)	52,428	(111,895)	11,781	458,300
Net cash used in operating activities	$(3,198,699)	$(3,692,392)	$(7,174,665)	$(75,301,567)

10. Asset Retirement Obligations

No asset retirement liabilities have been recorded by the Company at December 31, 2003, as there has been no disturbance that would require reclamation or remediation at San Cristobal or at any of the Company's other projects.

11. Commitments and Contingencies

The Company has lease commitments associated with the corporate headquarters office space, which expire in 2006 as follows:

	2004	2005	2006	2007	2008
Corporate headquarters office lease	$211,205	$214,715	$181,367	$ —	$ —

Payments associated with this lease were recorded to rent expense by the Company in the amounts of $215,323, $214,631and $145,666 for the years ended December 31, 2003, 2002 and 2001, respectively.

The Company had outstanding letters of credit totaling $460,000 and $200,000 at December 31, 2003 and 2002, respectively. The outstanding letters of credit at December 31, 2003 are associated with the power facilities and the port facilities for the San Cristobal Project. The Company has an agreement with the bank whereby $800,000 of cash is blocked to collateralize the current and possible future letters of credit.

12. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, value added tax recoverable, accounts payable, other current liabilities and long-term debt. Except for the value added tax and long-term debt, the carrying amounts of these financial instruments approximate fair value due to their short maturities. The estimated fair values of the Company's long-term financial instruments, as measured on December 31, 2003 and 2002, are as follows:

	2003		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Value added tax recoverable	$ 5,238,648	$ 3,807,476	$ 5,205,157	$ 3,783,134
Notes payable	689,958	540,649	769,958	629,621

The fair values of the value added tax recoverable and the long-term debt are estimated based on the expected timing of future cash flows.

13. Segment Information

In 1998, the Company adopted Statement of Accounting Standards No. 131, *Disclosure about Segments of an Enterprise and Related Information.* The Company's sole activity is exploration for and development of silver properties and, consequently substantially all of the Company's long-lived assets are in Bolivia.

14. Quarterly Results of Operations (Unaudited)

The following table summarizes the Company's quarterly results of operations for the years ended December 31, 2003 and 2002:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2003				
Net loss for the period	$ 1,693,285	$ 2,060,712	$ 954,837	$ 1,335,078
Net loss per Ordinary Share—basic and diluted	$ 0.05	$ 0.06	$ 0.03	$ 0.04
2002				
Net loss for the period	$ 1,070,235	$ 3,264,637	$ 2,412,383	$ 1,906,834
Net loss per Ordinary Share—basic and diluted	$ 0.03	$ 0.09	$ 0.07	0.05

15. Subsequent Events

On January 28, 2004, the Company completed an 8.1 million share offering at a price of $20.79 per share realizing total gross proceeds of $168.4 million and net proceeds of $161.1 million after commissions and fees. On February 18, 2004, the Company completed an additional 2.3 million share offering at a price of $21.81 per share realizing total gross proceeds of $50 million and net proceeds of $47.4 million after commissions and fees. The proceeds from the two offerings will be used to finance a portion of the construction and development of the Company's San Cristobal Project, advance evaluation of exploration properties and for other general corporate purposes.

Board of Directors

Harry M. Conger
Former Chairman
Homestake Mining Company
Age 73

David Sean Hanna
Partner
Arthur D. Hanna
Age 43

Charles L. Hansard
Director
Moore Global Investments, Ltd.
Age 55

Ove Hoegh
Senior Partner
Hoegh Invest
Age 67

Keith R. Hulley
Chief Executive Officer
Apex Silver Mines Limited
Age 64

Thomas S. Kaplan
Chairman and Founder
Apex Silver Mines Limited
Age 41

Kevin R. Morano
Executive Vice President and Chief Financial Officer
Lumenis Ltd.
Age 50

Charles B. Smith
Former President and Chief Operating Officer
Southern Peru Copper Company
Age 65

Paul Soros
Investment Advisory Committee Member
Quantum Industrial Partners LDC
Age 77

Corporate Information

Shareholder Information

Investor Relations Contact:
Igor Levental
Vice President, Investor Relations and
Corporate Development
Apex Silver Mines Corporation
1700 Lincoln Street, Suite 3050
Denver, CO 80203
(303) 839-5060
(888) 696-2739
information@apexsilver.com
Fax: (303) 839-5907

Stock Transfer Agent
Questions regarding your Shareholder account should be addressed to:

American Stock Transfer
40 Wall Street, 46th Floor
New York, NY 10005
(718) 921-8200
(800) 937-5449
Attn: Geraldine Zarbo

Market Information
Apex Silver Mines Limited ordinary shares trade on the American Stock Exchange under the symbol "SIL".

Independent Accountants
PricewaterhouseCoopers LLP
1670 Broadway, Suite 1000
Denver, CO 80202

Annual Meeting
Thursday, May 27, 2004, 4:00 p.m. (EDT)

St Regis Hotel
La Maisonnette I Room
2 East 55th Street at Fifth Avenue
New York, NY 10022

General Information

Corporate Headquarters Address
Apex Silver Mines Limited
Walker House
Mary Street
George Town, Grand Cayman
Cayman Islands, British West Indies

Unit Conversion Table:
1 troy ounce = 31.103 grams
1 (short) ton = 0.907 (metric) tonnes
1 troy ounce per (short) ton = 34.286 grams per (metric) tonne
1 foot = 0.305 meters
1 mile = 1.609 kilometers
1 acre = 0.405 hectares

Stock Market Information

Our company's Ordinary Shares are listed on the American Stock Exchange under the symbol "SIL". As of March 5, 2004, we had approximately 160 shareholders of record and an estimated 6,500 additional beneficial holders whose Ordinary Shares were held in street name by brokerage houses.

Our company has never paid any dividends on its Ordinary Shares and expects for the foreseeable future to retain all of its earnings from operations for use in expanding and developing its business. Any future decision as to the payment of dividends will be at the discretion of our Board of Directors and will depend upon our earnings, receipt of dividends from our subsidiaries, financial position, capital requirements, plans for expansion and such other factors as our Board of Directors deems relevant.

The following table sets forth the high and the low sale prices per share of our Ordinary Shares for the periods indicated. The closing price of the Ordinary Shares on March 5, 2004 was $22.85.

	Ordinary Shares			
	2003		2002	
Period	High	Low	High	Low
1st Quarter	$16.42	$12.90	$13.46	$ 9.73
2nd Quarter	$15.38	$12.35	$18.12	$11.85
3rd Quarter	$18.06	$13.40	$17.00	$11.55
4th Quarter	$21.51	$12.70	$15.63	$12.15